



The Government of the
Philippine Republic



The Philippines: Making Things Happen

Mid-Year Economic Briefing
05 September 2006

Energy and Power Sectors

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Presentation Outline

- I. What has been achieved so far?
- II. What are the numbers telling us?
- III. What is the next wave of policy agenda?



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I. What Has Been Achieved So Far?



Reform Breakthroughs

1. Achieving Energy Independence

- New investments in indigenous energy sources and policy initiatives favoring alternative fuels

2. Restructuring the Power Sector for Competition

- Adjustment of power rates to reflect true cost of power generation
- Competitive participation of private sector in energy and power industry
- Commercial operation of the WESM
- Improvement in access to electricity with 94% of barangays already connected to the grid



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II. What Are The Numbers Telling Us?



Positive Outcomes

- Sustained interest of investors in the energy and power industry
- Increasing use of alternative fuels for energy independence
- Lower ratio of power debt to public sector debt

Comparative Ratios	2004	2005
NPC deficit to Public Debt	37.3%	12.6%
NPC Debt to GDP	8.0%	6.9%



Reform Measures

- **Broadening private sector participation in energy and power market**
 - Promote expansion of power generation projects to meet projected system peak demand growth

Grid	Average Annual Growth Rate (2005-2014)	Critical Period	Investment Opportunities* (Additional Capacity, MW)
Luzon	4.3%	2010-2011	1,990-2,290
Visayas	6.2%	2008-2009	980
Mindanao**	6.4%	2006-2007	1,030-1080
Philippines	4.8%		4,000-4,350

**for the planning period 2006-2014*

***immediate power needs being addressed by transfer of power barges between 2005 and end of 2006*



Reform Measures

- Continue to bid out power assets through a credible and transparent privatization process
- Adjust power rates to reflect true cost of power generation and help reduce stranded debt
- **Establishing a competitive and viable power market and physical infrastructure to support it**
 - Started commercial operation of the Wholesale Electricity Spot Market (WESM)
 - Conclude negotiations with power distributors
 - Increased the installed capacity of Leyte-Cebu interconnection



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III. What Is The Next Wave Of Policy Agenda?



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Policy Directions

- Accelerate sale of transmission and generation assets
- Encourage construction of new and additional capacities by private investors
- Continue working on transfer of assets from National Power to PSALM & Transco
- Push for the completion of transmission projects under the \$850M CAPEX of Transco



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Policy Directions

- Intensify search for oil and gas through continued public bid rounds and improved service contracting schemes
- Push for widespread use of alternative fuels
- Manage debts and liabilities transferred from National Power to PSALM through facilities such as hedging



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